

**RANCHERS EXPLORATION AND DEVELOPMENT CORPORATION**

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August 10, 1979



Division of Oil, Gas and Mining
Department of Natural Resources
State of Utah
Attn: Mr. Ron Daniels
1588 West North Temple
Salt Lake City, Utah 84116

Subject: - Notice of Intention to Commence Mining Operations.

Dear Mr. Daniels;

Thank you very much for taking the time the other day to telephonically review our draft application regarding our Escalante Mine near Enterprise, Utah.

A brief review of the property and project may be of interest to you.

The Escalante Silver Property is located about eight miles north of Enterprise, Utah, located on the flanks of the western hills adjacent to the Escalante Valley. The property was discovered in the late 1800's, and sporadic, small scale mining has occurred in the past.

It is a typical basin and range epithermal quartz-calcite vein deposit. It has an ore strike length of some 3000' and dips to the northwest at 70°. It ranges from 5'-50' thick and has a proposed mineable depth of some 500'-600'.

It is quite low grade in silver, with minor amounts of copper, lead, zinc and gold.

The area immediately surrounding the mine consists of rolling moderate-relief terrain covered with sagebrush. About 1¼ miles to the east out in the flat Escalante Valley, considerable agricultural areas are being farmed primarily for alfalfa, grain and potatoes. No industry exists within the vicinity of the mine. The hills are composed predominately of rhyolites and andesites. The valleys are filled with alluvium.

The valley terrain is at some 5180'-5200' above MSL, with the mine at 5235' - 5250' above MSL.

Agricultural sprinkler irrigation is heavily practiced, using vertical turbine pumps to draw water from the water table, presently at 5090' elevation. Irrigation occurs between mid-May and mid-September, and consumes all locally available power from Dixie-Escalante REA during the irrigation season.

The vein structure has been extensively drilled in the past. Because of its low grade nature and the necessity to dewater the orebody in order to mine it, the property has never been brought into full production by a number of mining companies who had the lease in the past.

Ranchers leased the property from Escalante Silver Mines of Salt Lake City in 1975. Prompted by the recent steep rise in the price of silver, the project has been re-evaluated.

Ranchers has developed a mining plan for the orebody, and in conjunction with the plan, engaged Dames & Moore of Phoenix to thoroughly review all past hydrologic data and model the dewatering requirements and problems on a conservative basis.

In summary, Dames & Moore believes that the orebody can be technically and safely dewatered, and in such a manner that little or no negative impact will be experienced by the local agricultural community in terms of lowering the water table or diminishing the quality of the water. Vertical turbine pumps, five of which are existant, would be used for dewatering purposes with the pumped waters being transported via canal and pipeline to the natural recharge point in the valley. In effect, the water will be pumped, transported, recharged into the aquifer, and pumped again in an ongoing program.

Secondly, new mining techniques, which are believed to be safer and cheaper as compared to earlier techniques, are proposed for the orebody. The technique is known as Vertical Crater Retreating, a modified blasthole stoping method.

Thus, the factors of ability to dewater without negative impact on the farmlands, a new mining technique, and the price of silver, have led Ranchers to the conclusion that development may be warranted.

However, prior to undertaking a full scale mining and milling program, Ranchers proposes to approach development in a phased manner. The first phase is a pilot program exploratory phase, for which this application is being made.

The purposes of the pilot program are to verify our engineering and geologic estimates by actually driving underground openings, both above and below the present water table (but which would be lowered by a moderate dewatering program of some 3½ months duration), conducting test stoping operations, obtain bulk samples for metallurgical test work, and otherwise verify our data and assumptions.

Upon successful completion of the pilot phase, it is anticipated that a mine development and mining phase, to take place above the present water table, of some eighteen months duration, would take place. During this period of time, little or no dewatering would occur. Simultaneously, further metallurgical test work, mill engineering and design, and mill construction would be undertaken.

During the dewatering of the pilot phase, expected to last between February and mid-May of 1980, discharge waters would be placed in an existant dewatering canal running north from the property. It is expected that some 11,000 gpm will be pumped.

In addition to underground construction activities, a moderate surface program will be required, consisting of erecting a 30' X 50' maintenance building, siting some administration and warehousing trailers, placing screened rock on existing roads for stabilization purposes, and conducting some further moderate drilling programs.

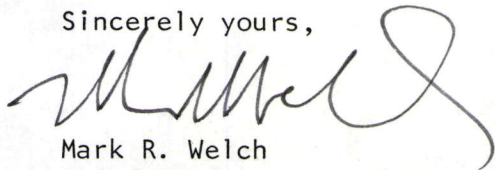
For this phase, we expect to employ around thirteen people at the property, many of them locally-hired.

At the time of this writing, the corporate decision has not been made as to whether the pilot project is to be undertaken or not. I expect the decision to be made by August 20th. In the meantime, we are taking all actions necessary to start work. Because of the agricultural power requirements beginning in mid-May, it is imperative that the pilot project be accomplished by that time. Accordingly, backing up on the critical construction path, we have to start surface activities in early September of this year. Therefore, your expeditious approvals would be most appreciated.

I am enclosing some pictures of the area to show what it looks like, along with some drawings and site plans covering proposed activities and facilities. Additionally, I hope to be able to present the hydrologic report to the Board on August 23, or sooner.

I trust that the information contained herein and in the application are satisfactory. If you have any questions, please contact Mr. David Hogan, V.P. of Engineering, or Mr. James Rosel, Counsel, as I will be on annual military duty during the next two weeks commencing August 20th. They will be our representatives at your board hearing scheduled for August 23, 1979.

Sincerely yours,



Mark R. Welch
Chief Engineer

MRW:sr

cc: DKH
JR